

Minutes of the Regular Meeting of the Mayor and Council of the City of South Tucson, Arizona, held Monday, February 12, 2018, at 6:00 p.m. at the City of South Tucson Council Chambers, 1601 South 6th Avenue, South Tucson, Arizona.

Council Present: Idelfonso Green
Vanessa Mendoza
Robert Larribas
Anita Romero
Carlos Romo

Staff Present: Sixto Molina, City Manager
Veronica Moreno, City Clerk
Lourdes Aguirre, Finance Director
Marilyn Chico, Housing Authority Director
Angel Lopez, Public Works Director
Manuel Amado, Chief
Bobby Yu, City Attorney

Others: Arlene Lopez
Antonio Leyvas
Samuel Gibbs
Eddie Badilla

Mayor Green called the meeting to order at 6:00 p.m., and led the Pledge of Allegiance.

ITEM #04 – ROLL CALL – All members of the Council were present, except for Councilman Cantu and Councilman Patino, who were excused.

ITEM #05 – CALL TO THE AUDIENCE

Mayor Green: Anybody wishing to speak to the Council may do so now for two minutes.

(Background conversation)

Mayor Green: Three minutes. Three minutes. Excuse me, yes. Any takers? Okay. State your name and your address, please.

Ms. Lopez: Okay. Arlene Lopez, 240 West 34th Street, and a resident of South Tucson all my life. Mayor and Council, City Manager, we have received very disheartening news that we are going to lose almost 95% of our Fire Department personnel because of the budget cuts being enforced by the City Manager. Do you know what this means for South Tucson? How is a skeleton crew of four or five firefighters going to work a 24-hour shift? When this was discussed last year about having only a three-man crew (inaudible) needing a four-man crew to respond to a fire was brought to your attention because of federal regulation to protect the safety of the firefighters. Do you remember this? South Tucson does not have another fire station where you can pull back-up personnel to help

a three-man crew. If you call the City of Tucson Fire Department, how are you going to pay them? Are they willing to help, but not become a permanent free resource of their personnel and equipment for South Tucson? Eventually, it will become a burden for them and they will charge you. You can't afford to pay our firefighters, so what makes you think you can afford to pay TFD? Our paramedics are the busiest because of the number of elderly needing help, the drug addicts that overdose on our streets, the concentration of people in one square mile, etc. With a skeleton crew, how are you going to respond to multiple 911 calls? Whose life is going to be on the line? What if it's your life, or your family's life? Every minute counts. Right now, our paramedics help our community for free. If we have no one available, who is going to respond and at what cost? At our Neighborhood Watch meetings last year, we were informed by your Fire Department Administrator Captain that your insurance, that our insurance rates were low because of the good response time of the South Tucson Fire Department and also because of manpower, training, agreements, and testing. So now, now our lives are at risk but our insurance will go up. Families are struggling to make ends meet. This will be an additional burden on them. If you think volunteers is the answer, who is going to train them? How many hours does it take to train a volunteer, with all the regulations in place? Is a volunteer allowed to ride the engine and fight the fire? What about the liability if they get injured or, God forbid, die? Is it wise to depend on volunteers that come and go for a community this size? It might have worked in the past, but I don't think it's feasible now. And you promote economic development. Do you think businesses are going to want to come in if you don't have enough emergency personnel to respond to the needs of employees or patrons? We understand that cuts have to be made, but the Fire Department? This service is crucial. Please revisit the budget and find cuts elsewhere so that our firefighters won't leave. Mr. Green, you are the Mayor. And, therefore, you are responsible for communicating to our community how you plan to solve this dilemma. Any decisions made by the City Manager are done with your knowledge and your consent. Please consider the safety of our people. Don't ruin the integrity of our Fire Department. Thank you.

Mayor Green: Thank you.

(Applause)

Mayor Green: Same thing. Name and address, please, for the record.

Mr. Leyvas: Antonio Leyvas. I live at 343 East 32nd Street. And my concerns here is public safety. It should be focused as number one priority. I have a brother on dialysis and my mom is elderly, you know. And we depend on our firefighters to respond (inaudible) time. We can't depend on AMR. Sometimes they're, you know, every second counts, every minute counts in case of a heart attack or a stroke. And, so we should keep our firefighters. Thank you.

Mayor Green: Thank you.

(Applause)

Mayor Green: Anyone else?

Mr. Gibbs: Hi. Samuel Gibbs. I live on 408 East 35th Street. I've been a resident, a South Tucson resident for 15 years. And it really disheartens me, especially when I've come from a small

community like Bisbee, Arizona that holds two fire stations and volunteers. And South Tucson that is 1.2 miles can't hang on. There has, I mean I can see other ways in fixing the budget. I mean some of the wages that Council members receive I feel is pretty ridiculous, especially for the size of South Tucson. And I think maybe not even a lunch, or maybe not even a dinner can save a whole bunch of people's lives. And it's disheartening, especially when I live across from a house that is with weeds, is abandoned and is full of, it sits right next to a power plant. And if that house should go on fire, that I have a concern that the house I live in, the house that I purchased, the house that I'm paying for is going to go up in flames because there's no response time. And I've read up on it. With three firefighters, Tucson Fire Department has already said and it's been posted on the news that they are also short-staffed. So if they are short-staffed, how are they going to help us? And how do we expect to help our community if we can't even help ourselves? And I just think that it's pretty ridiculous that we're putting people's lives at stake, especially with a community that's elderly because we have no young people here. And if they are, they're either homeless and living on the street, by choice or not by choice, but also needs, they also need medical attention, but to put people's lives at stake just because we can't figure out a budget. I mean I'm sure nobody likes to have their bank account in the negative. I don't. And I'm like everybody else, I have to live paycheck by paycheck. And yes, I've gone to college and yes, I've gotten a degree but unfortunately, in the world that we live in now, you need a two-person income in order to survive. Things aren't cheap any more. And once again, we talk about wanting to bring up Tucson, South Tucson, make it thrive and bring, welcoming companies and, you know, stuff like that. How can we do that? How can we compete against a bigger city that surrounds us when we're just the middle and everything else is flourishing and the City of South Tucson is going down because we can't figure out how to handle money. Thank you.

Mayor Green: Thank you.

(Applause)

Mayor Green: Anyone else?

Mr. Badilla: My name is Eddie (inaudible) Badilla. I live at 116 West 30th Street. I've been a resident for many, many years. (Inaudible) to the City Council, including the Mayor.

Mayor Green: Thank you.

(Applause)

Mayor Green: Anyone else?

(No response from the audience)

Mayor Green: Okay. Hearing none, let's go ahead and go to agenda Item #06.

ITEM #06 – APPROVAL OF MINUTES: UNAVAILABLE

ITEM #07 – STUDY SESSION: GENERAL FUND OVERVIEW AND FISCAL YEAR 2019 BASELINE BUDGET

Mr. Molina: Mr. Mayor, members of the Council, our Finance Director, who I'd like to call up, has a presentation regarding the current General Fund overview and also a 2018-2019 baseline budget presentation. This is the beginning of the formulation of next year, fiscal year's budget. And so with that in mind, I'll turn it over to our Finance Director.

Vice-Mayor Mendoza: Mr. Mayor, we need a motion to enter into Study Session.

Mayor Green: Oh, okay. I'm sorry.

Motion by Vice-Mayor Mendoza to move from Regular Meeting to Study Session. Seconded by Councilman Larribas. Motion passed unanimously.

Mayor Green: Now we are in Study Session. Thank you, Vice-Mayor.

Ms. Aguirre: Mr. Mayor, members of the Council, I'm going to turn the lights down so, to increase visibility. So the title of this presentation should actually be what the title was on the agenda, which is the General Fund Overview and the 2019 Baseline Budget. So things we're going to be discussing today are basic budget structure definitions, the budget process, the planning, timeline reporting and with regards to the General Fund overview, we're going to be talking about the current year, fiscal year 2018, and how that transfers into fiscal year 2019 and the challenges that we're looking at going into that year. So, basic budget structure and definition. So, basic budget structure, your revenues and your expenditures. If you have a deficit that's representative of expenditures exceeding your revenues, so that means that at the end of the fiscal year there was unpaid bills. That's what you want to avoid. Here's a couple of definitions. And I know that there's quite a few of them so since you all have a print out, you can go over them at your leisure. General Fund budget, it's pretty much the money that comes into the City for general city operations. Most of it is tax money; property tax money, city sales tax revenues, State shared revenues. The restricted budget is made up of funds like grants or anything else that is for a specific use. It can't be spent for anything else. One example is federal funding for the Housing Authority. That cannot be spent for anything else. So that's the difference. Your General Fund, general pot of money. Your restricted budget, can't be touched for anything else. There's your baseline. Baseline budget is pretty much your current budget, it really translates to the next year with nothing having changed. There's other definitions of the words we use in budgeting; status quo, supplement, supplant, we don't do that. So, budget process. You know, we went through this last year but I think it's going to be a good refresher, especially for those who are here visiting. We start off with a baseline budget. So, this is the starting point. Of course, if you had a surplus, that would be good. That would mean you have excess revenues that you anticipate in the following year. If you have a projected deficit, that is not good. You need to come up with ways of eliminating that either by increasing your revenues or decreasing your spending. Through this process, we try to come up with a menu of options. And it's typically the Manager's recommendation for Mayor and Council to consider, remembering that you always want to strive for that goal, balancing your budget. During that process, we ask the Mayor and Council direction. If there are any items on that options list that entice Mayor, members of the Council,

provide direction to proceed. That way, the City Manager and staff can implement that in the budget. The last steps are the adoption of a tentative budget and finally, the adoption of a final budget. There are certain statute requirements that must be complied with to implement any sorts of increases in taxes and things of that nature. So, a timeline will be provided at a future date. So, what makes up our current budget, fiscal '18, currently our fiscal '18 budget that runs from July 1st of '17 through June 30th of 2018, is made up of 4.1 million on the General Fund side, and 3.4 million on the restricted budget side, for a total budget of 8.4 million. This is pretty much the structure for your General Fund. You could see there where your revenues come from. The bulk of your revenues come from city sales taxes. That's the bulk, almost 3 million of that 4.9 million General Fund budget. The smallest proportion coming down there under property tax, and just as a point of reference for you all, and people in the audience, the only thing that is collected through primary property tax is \$51,000. That's it. That's based on property valuations of \$21,000,000 and a property tax rate of 25 cents per hundred dollar valuation; \$51,000, that's all that comes in from primary property tax. And just so we can draw some relation to what our expenditures are like, that's less than what it costs the City to fund one full-time entry level police officer. The cost of funding that is about \$76,000. And we'll talk about that a little bit more. Most of it is due to pension, pension rates that keep rising. But that's just to provide some perspective. Now, on the expenditure side, highest expense, police department, fire department, non-departmental and you can see how all the other expenditures for all the other departments begin to taper off. Over the last couple of years, this shift here hasn't changed much. Here's your distribution. If you take your whole General Fund budget and you split it up between personnel, fixed and discretionary, this is what it is; about 60% goes to personnel, 38% goes to fixed and fixed cost. That includes things like utilities, your bond payment and contracts for services, which you don't have many of. Discretionary is 5% of your budget, that's it. And that goes for things like paper, repair expenditures, our copiers, things that City employees need to operate. And over the years, in evaluating these types of expenditures, one thing has become more than clear, everybody has the bare minimum just to operate. This distribution here is not any different from that of Marana, Oro Valley, City of Tucson, or Sahuarita. This is the expenditure distribution. So now let's talk about the current fiscal year. Well, first of all, let me backtrack a little bit and talk about historically. I had another slide here in last year's presentation that gave everybody a little bit of context as to why the City's situation was the way it was. Over the course of nine years, the majority of those years have large deficits. Again, every time there's a deficit that means unpaid bills. That creates a problem with your cash flow and the City's ability to pay off debt. Thankfully, with the sale of the library, that was favorable to our financials. Even though it was a non-cash transaction, it did provide some credit capacity to be able to offset some bills that had been sitting as unpaid on the City's books. Therefore, at the end of June 30th, 2017, the unaudited numbers and I say unaudited because our financial reports have not yet been published, that number was \$210,000, where at one point it sat close to half a million. As of February 2nd, which was, I believe the Friday prior to issuing this report, this presentation, unpaid bills on the books were zero. So, the City has made progress. But that all depends on how the budget is maintained and how expenditures are tracked. Therefore, the importance of sticking to a budget the way it was adopted. Just to give you some perspective, I'll provide another slide of distribution (inaudible) of every two weeks, monthly, annually, what the City has to pay. We cover payroll; health insurance premiums, I include on here; I include the cost of check runs, that's to pay off vendors for materials, the things just to keep the City moving; property and casualty insurance, workers compensation, it all totals up to 4.9 million. This is what we pay (inaudible) and it's very close to the budget, the way it was adopted. What this means is the money that comes into the City is just enough to cover day to day expenditures. If there happens to be a

shortfall in revenue, there is no money to cover the day to day expenditures. Now, things that become a challenge: revenue shortfalls, as I've already mentioned; over-running the budget, or exceeding department budgets, that becomes a problem as well; when there are restricted funds or monies from grants that reimburse the City for eligible expenditures, that also becomes a challenge on how to manage cash flow; and then you've got your long-term commitments which we should not worry about because they are there and they are real, all that debt. And this is debt that's been carrying forward over the years. We have to pay on it. For instance, the jail settlement; the jail settlement with Pima County, that was for unpaid bills related to older years. I believe the last of the bills recorded in that settlement went through 2012. The City had to begin paying on that. As of July 1st of 2017, the balance on that agreement which was passed here through Mayor and Council, was at \$715,000. Thankfully, the County allowed the City to reorganize that settlement and extend it over a period of 20 years to help make that annual a little less. It was at \$103,000 at one point. So it reduced it to \$43,000, which is much more manageable. And that's for the next 19 years. Waste Management, at one point, that settlement for what Waste Management was procuring and obtaining was \$310,000, all related to unpaid waste bills; \$310,000. That is what Waste Management was not able to collect, bill, and was not able to collect from residents in the City of South Tucson. It came after the City of South Tucson. City of South Tucson didn't have the money. It took the service out. Luckily, City of South Tucson found another option, which was bringing in the City of Tucson to provide the refuse services. Subsequent to that, it was working out a deal with Waste Management, bringing that debt from \$310,000 to \$135,000, which then the City opted to pay over the course of three years in installments of \$45,000. Now, next year, fiscal year 2019, will be the last year for \$45,000. And then the City will rid itself from that liability. Next is the unfunded pension liability. The unfunded pension liability is at 11.5 million dollars, 11.5 million dollars. Now that, included in that is the cost of people already on retirement as well as people expected to come into retirement, people who are currently working. That's the calculation, 11.5 million dollars. The City was able to work out an amortization, an extended amortization period from 20 years to 30 years, which helped reduce the contribution rate a bit. Of course, over those 30 years, there will be (inaudible) interest cost. But once again, it was worked to something that was a little bit more manageable. And as we go throughout this presentation, we will continue, I'll give you some more information on that and I might have a few more handouts for the public as well. All this information regarding, related to the pension liability is all online. Public Safety Retirement Personnel System is all listed in there. Next thing related to our ongoing debt is our bond. Now, the City issued a bond, and I will provide a little bit of perspective, historical perspective on this just to provide some insight. The City issued a bond in the '80's to be able to pay off some litigation. After it, they refinanced again, received some money to be able to build City Hall. And historically, what we've seen is over the years, that same bond, we can relate it to a mortgage payment. It's been refinanced time and time and time again to be able to obtain at least a bit, a couple thousand, hundred thousand dollars to be able to afford normal operating expenditures or eligible expenditures, I should say. That's how the City has made ends meet. Now, the bond, would it be eligible for refunding, which is another word for refinancing? Yes, possibly. It became eligible for refunding in 2017. However, the City had to work on all those other things and realigning its budget structure, and re-up the amount of revenues, reducing expenditures, otherwise the City's credit rating will never be able to achieve it. Hence, we'll never be able to refinance. The only thing that the City would probably want to do is refinance to lower the cost, to lower the bill on a year-to-year basis, not increase additional debt. With that said, there are also other pending litigation items which are on the horizon and must be kept at the forefront as well because they will pose concerns once they come to fruition. So, back on January 22nd, these are the figures

that were presented to Mayor and Council. As of January 22nd of this year, the numbers presented went through December 31st. There was a deficit at that point of \$99,000. Of course, there's always some activity that spills over into the next month and that lessens that deficit impact but still, things that are affecting, or were affecting the figures as of that time right there were increased outside legal expenditures, a decline in sales tax revenue, and also a decline in court's revenue levels. Although, I might say, that there is a correlation between the Court revenues and police officer activity. Now, estimate actuals. Taking the information that we know, the spending activity, the revenue activity coming through for those first six months, and then annualizing that, where do we expect that to come in by the end of June 30th? We anticipate a projected deficit of \$67,000 by the end of the year. However, that is only if we continue to implement expenditures or allow expenditures this year, the way the budget was adopted by Mayor and Council. And so you may recall that balancing the budget for fiscal year 2018 was extremely difficult. It had a starting deficit of about \$650,000 or so, and so there wasn't much that could be cut that would actually make that up. So, a couple of measures were taken and I will only go over them verbally because I don't have printouts, but all of this will be posted online. So, things that were done last year were the unfunding of three positions: one full-time Planner, one part-time Court Clerk, one part-time Fire Chief. There was also the implementation of the 30-year amortization payoff period with Public Safety Retirement. The lowering of that rate allowed the City to afford that expenditure. There was also the unfunding of two positions in the Police Department. One of them was a Sergeant position and the other was a Police Officer position. There was also savings related to the Fire Department and that was reorganizing it from four per shift to three per shift. All of that combined, all of that combined helped balance the budget. In the absence of increased revenues coming in, the budget must remain the way it is. As a matter of fact, I would now like to take the opportunity to hand out, and I might not have enough copies of this for the public, but still, it's some, so I will hand them out at this point. And this just provides some clarity. So here's some copies for the public, if they wish to take one. And I will hand these out to you all. So basically, you go down this list here and it's a side-by-side comparison of the positions as they were adopted going into July 1st of 2017 compared to today, according to our payroll rosters. You go down them and you will see those positions that are highlighted in orange are the positions that went unfunded. Those were the ones I just mentioned were a part of the deficit elimination plan. Compare them to where we are at February 12th, today. (Inaudible) where there needed to be clarification. So, one thing I must say is that if you scroll down to the bottom, or to the second page at the very end of this table, you will see there was no additional position added to this budget. We are still trying to comply with the deficit elimination plan the way it was adopted. The way it was adopted to implement this fiscal year so that it would work. And so, what I do want to point out is that all department heads, all of them, were consulted and all of them were in agreement of this deficit elimination plan. One thing that I do want to point out on page one of two is with regards to the fourth man, the City Manager made an exception in applying some savings within the department that were related to full-time, a full-timer's expenditures, okay, he made the exception (inaudible) the fourth man. But the only thing that was going to be able to afford was one quarter, which ran from October 1st or October 15th through January 15th. Additionally, the Public Safety Director made some cuts on some contracts. That was able to afford another month. But one thing that I'd like to stress to all department heads is that in reality, even though it may be perceived savings in a department, if there aren't any revenues to rack that up, or to cover that, they are not really truly saving.

Unknown person: Lourdes, the people can't read in the dark. They asked me if they (inaudible).

Ms. Aguirre: Just a moment, Mayor. I don't know if there is a way to, does that help?

(Simultaneous conversation): Thank you.

Ms. Aguirre: Alright, just so that they could read through the paperwork. So those were some of the measures that were made. That was one of the things, a small combination that the City Manager and Public Safety Director opted to make for Fire Department for one quarter and one month. And I think that the commitment still remains that staffing levels could potentially increase if the revenues came through. But that's not what we're seeing at this moment, so the need comes back to have to revert to the way the budget was adopted with everybody's understanding and consent. With that said, now let's turn over to the next slide. This is the 2019 baseline budget. So we take our current revenue and expenditure level and what we know is going to be increasing, and we take it through to the following fiscal year. Currently, what we see is almost \$375,000 in deficit going into fiscal year 2019. So let's look at what makes up some of that deficit there. And I like to call them challenges because that's what they are. It's a challenge to balance them. So, in pension rate increases only, there's an increase of \$159,000. And so, you might ask why if the City extended the amortization period from 20 years to 30 years to drop down the rate. Well, it's really pretty simple. Contributions are based off of the City's payroll size. And the contributions rates that are recommended are always about a year behind, or two years behind the budget year. So, the numbers that are being looked at on the 2017 actuarial report issued by Public Safety Retirement are more those from fiscal year 2016, although the budget was issued. It just so happens that when a city takes savings or has unfilled positions, vacant positions that it doesn't fill, because it takes savings that year, let's say the revenues weren't coming in. So you opted to not fill the positions. Well, your contributions to pay into that 11.5 million, right, was based on that payroll size that you had had. So when you reduce that payroll size, that reduces the amount of your contributions. And the City, like any other city, is going to have to make it up one way or another in the following years. So, what I'm going to take a moment to hand out right now is a copy of that affirmation here. And I realize I may not have enough copies of this other report here. There might be some, a few there. And for Mayor and Council, what I'm providing you for ease of just referencing are copies straight off of the website, the Public Safety website. This is the printout from the actuarial. It tells you the amounts. So, basically, what you see here on this sheet here, the one that has the table, is the rates, the way they were originally published in actuarial reports going into fiscal year 2018. Originally, this is how they were published. For the South Tucson Police Department, the contribution rate was 83.7%. For the South Tucson Fire Department, it was 161%. That was going into fiscal year '18. These rates were embedded into that deficit of \$650,000. When the option was provided to extend the amortization period from 20 to 30 years, you see what that did to the rates. All of a sudden, Police, it dropped it from 83 to 68%, and in the Fire Department, from 161 to 127%. That was a considerable drop. And that made up for a hundred and, almost \$187,000 in savings to be able to balance the fiscal year 2018 budget. Now, what we're seeing is that for next year's budget, the recommended rates are rising again from now 68% to 103%. And from, that's on the Police side. And on the Fire side, from 127 to 167%. So, what factors contribute to increased rates? Well, the pension benefit formulas. They have formulas at Public Safety to calculate how much each person should be getting on their benefits. This is all backed up by statute, by federal law, I'm sorry, by State law. So, that plays a role. If they adjust the pension benefit formula, that means rates go up for everybody. If they make investments, and they lose on them, the return on investment is lower than they thought, and if I'm not mistaken, they have been saying they were set on 7% return on investment. Now, they're reducing that. So when there's a loss, or there

are a (inaudible) return on investment is lower, rates go up because they cost more. Someone has to pay. Because basically, what Public Safety does is it takes all employer contributions and it invests them. And assuming that it's going to make money, right, if there's a loss, then cities and towns have to pay the difference with increased rates. Recently, they also increased the mortality rate. That means that they're expecting more Fire and Police personnel to live longer. So, if they live longer, it's going to cost more. That raises the rate. Also embedded in here that raise the rates is the cost related to the Hall and Parker cases. You may recall those. All those refunds paid back to employees for excess contributions on their end have to be made up on the City's side. Now it's not just for the City of South Tucson, this is State-wide. So that also increases the expense, it increases the rates. Another thing is the ratio of retirees and their amount contributed compared to active members. I think I mentioned this in the past and I'll mention it again as an example. For instance, the Police side, more than half of their people on their retirement, more than half are people who have medical retirement, who contributed five years or less to the system, but they've been on retirement now for almost 30 years. Who's had to pay that? The City of South Tucson. And the ratio is also about 14 contributing current members, and 14 retirees. There's a similar scenario on the Fire side. Other things that like I mentioned before were your payroll. So your contributions to be able to afford all the expenses on the Public Safety side are calculated on the size of the City's payroll. So, if there are unfilled vacancies, the City's contribution is going to go down, but it will have to make it up later in subsequent years. Just like we're seeing right now. Also, the amount of interest is embedded in here. So, the amount of interest associated with doing the 30 year amortization was slight compared to the amount of the debt. Nonetheless, it's built in here as well. So there's a ton of factors that contribute to increasing rates year over year. And, again, all this information is available through Public Safety's Report online. So now, continuing with the presentation, we've gone over (inaudible) increases. Also, we anticipate a revenue shortfall of \$327,000 for next fiscal year. Included in here are some things that we know related to business. But about 87% of that \$327,000 is attributed to City sales tax. This is based on the tax (inaudible). If the tax (inaudible) rose, businesses grow out there, the amount grows. If it diminishes, you have a revenue shortfall. Nine percent of that \$327,000 can be attributed to Court Fines and Fees. And those, there is a correlation between that and police activity, and we've seen a steady decline for a couple years now. Also, add to this is an increase in outside legal expense. I believe I also mentioned this is related to an item currently under litigation. The total increase on the '19 budget above where the '18 budget was is about \$25,000, but the City Manager's budget had about \$5,000 in savings. It's not a big budget, but it had \$5,000 in savings and so that offset the cost, bringing it down to \$19,000. On the Court side, there are expenditures related to attorney services which are a must have. The anticipated increase in that cost is about \$12,000, but with savings of about \$9,000 in the Courts, in the Magistrate Court, it offsets the cost to \$3,000. So, there's your subtotal of those challenges; \$508,000. Deduct from there an expected decrease in the jail bill. Let's say the jail bill continues to come in at the rate it's been coming in in this fiscal year. Let's say it carries on next fiscal year. So let's say a savings of \$50,000. And additionally, savings of about \$83,000 throughout all departments, plus or minus. That is the amount of the challenge, the deficit, \$375,000. Things not accounted for here are any increases in medical insurance, and a strategic maintenance planning for the building, potential increases in Workers Compensation premium, additional losses in sales tax revenues, any incidentals, there is no merits for employees in here, there's no increased staffing for any departments, there is, or we're not, we're also not accounting for any increases in the property insurance premium. One thing that I do have to mention, I need to account for is a slight increase related to Firefighters, the Reserve Firefighters. So, there's going to be a rate increase, by law,

according to State law, where it has to go to \$11 per hour, effective January 1st. The anticipated cost is, of that is about \$10,000 for the next fiscal year, okay, which needs to be added into this. Other things that are not accounted for in this calculation here are things related to the State budget. Whatever they decide to balance on their end, the State budget, reduce from the cities, we haven't accounted for that yet because we don't know what those implications may be. So, the only things we're communicating at this point is the things we do know about. And although I've provided a copy to Mayor and Council of the baseline budget detail, you'll see on the personnel side there are no expenditures associated to Reserve Firefighters medical. It's not in there. That's because those people that have become eligible, have waived it and we have waiver forms on file. The City of South Tucson follows the Affordable Care Act requirements in offering all Reserve Firefighters who work a continuous 30 hours per week, continuous, no stop for one year, that's the measurement period, by law they must be offered medical insurance. The City offers that. It is up to the employees if they choose to waive it. But we will account for it when someone signs up and that's one of, a little bit of background that I wanted to provide to you with regards to the personnel roster included with your budget, your baseline budget. So, if you have any questions, I will gladly take them.

Mayor Green: Any questions? Vice-Mayor?

Vice-Mayor Mendoza: I don't have really any questions at this time. The employee merits are still on hold though?

Ms. Aguirre: Yes. Mr. Mayor, Vice-Mayor, they are frozen. They've been frozen for the last three years or so.

Vice-Mayor Mendoza: Okay. So nobody has seen an increase in any department over those last three years, including this year?

Ms. Aguirre: Mr. Mayor and Vice-Mayor, the answer to that is no, unless there are savings of any minor sort that can offset due to the assignment, a temporary assignment.

Vice-Mayor Mendoza: A savings inside of the department?

Ms. Aguirre: Correct.

Vice-Mayor Mendoza: Okay. And so, with what we're facing now, would that, should that be the case in the Fire Department? If they have savings, should that offset a fourth person?

Ms. Aguirre: Mr. Mayor and Vice-Mayor, that would be the case, but at this point, the anticipated savings we've seen have been used to fund a fourth man for one quarter and a month.

Vice-Mayor Mendoza: So the remainder is, according to your reports, no savings for the remainder of this fiscal year that we're in now.

Ms. Aguirre: That is correct, Vice-Mayor. In any other departments where there have been temporary assignments for some crucial work, something that won't extend past a couple months, the expense has not exceeded anything more than two to three thousand dollars. However, this expense

related to the Fire Department did go over that, more to the tune of sixty, sixty-five thousand dollars. I mean I have some comments but I think that in looking at the budget and hearing your reports and your presentation, I think that we've missed a lot of opportunities in trying to find ways that we can increase our housing. What's the word I'm looking for? You know, the, what our value of our houses are here by homeowners. You know, we've missed that somehow and how do we get that back? How do we increase our housing because it seems in comparison to other cities, we may be lacking that. I mean and that's just the overall, maybe general demographic of our area in having low housing values. But how do we increase that and I think that one of my comments to that would be definitely coming to the table on how to find out and communicating how we can keep four-man, a four-man fire crew. I think that having residents know, knowing that they have that sort of response time in our Public Safety would increase home ownership if we could, you know, get that more, more out there to, to individuals who are looking for housing and, you know, being able to, to own homes. I think that maybe we need to look at that in trying to find some sort of strategic plan on how do we increase our housing value because \$51,000 in comparison to other cities is very minimal as far as property tax. You know, and we just can't continue to run a budget off of \$51,000, you know, off of that. And I know that we have a huge amount of rentals in our City as well. You know, which still brings me back to the point of that we need to look at that. And I know that we have a lot of renters and, and, you know, I feel for them. I really do. But we can't run a budget off of 20 year percentages any more. We just can't. And I encourage and I implore our homeowners here in South Tucson to really look at that if it ever hits the ballot again, increasing our renters tax because it hasn't been changed in, correct me if I'm wrong, over 20 years.

Ms. Aguirre: That is correct.

Vice-Mayor Mendoza: And so with all that sort of said, we, you know, we just, we really have to figure out how to start running the City like a business and in figuring out how we can save our Firefighters and making sure that we're not making decisions without having everybody sitting at that table. Because it's just, it's not going to work when you don't have everybody come to the table and be a participant in budgets and in cuts and in what have you. And I know that, you know, it was talked about last budget, too, the three-man fire crew. But, you know, and it was public. But I'm a resident here, too. And, you know, to me it's important that we meet the public safety demand. And so, if, you know, in doing the budget, I think that that needs to really sort of be concentrated on and those are just comments and thoughts.

Mayor Green: Thank you. Any other ones?

(No response from the Council)

Mayor Green: Okay. Hearing none, City Manager, do you have something?

Mr. Molina: Mr. Mayor, just to add to Vice-Mayor Mendoza's comments, in the future planning, budget planning meetings, I will be bringing some options to the table to increase those revenues so that we can do the things that you said (inaudible) talked about. Historically, the reality is nobody likes to pay more fees and more taxes, but historically, we've been lower than anybody else. And it's only a reasonable thing to raise those fees and taxes in order to maintain a level of service that people are accustomed to. And that level has diminished over the years. And to point fingers won't

solve the problem. It is what it is. We only have so much money that we can use and we need to move forward from here. I'm very proud of all our staff. We've been making great strides, as you found out today. We were able to balance a budget, pay all the bills this fiscal year. We have been able (inaudible). But it hasn't been without some sacrifice. And when the sacrifice comes in the area of public safety, it gets everybody's attention. So, hopefully, the folks in the audience today, the employees that will be affected, will take all this to heart and hopefully we can work together to make this a better community. You know, to fight amongst each other, to point fingers won't solve the problem. It takes a concerted effort, everybody pulling in the same direction to resolve the problems and the issues. And I hope that's what we'll have and that's why we're having these lengthy budget meetings so that everybody understands exactly what the City is facing. Nobody's, you know, we've lost several employees last year. We might lose some more this year. Hopefully, that won't be the case, but the deficit projections we may. There's going to be no other choice. You know, could be salary cuts. There could be a lot of options. But we'll bring those options at future meetings and hopefully turn this place around to start going in a positive direction.

Vice-Mayor Mendoza: Thank you. And one other thing, too, and I've said this on numerous occasions. You know, me, as a Council member, I only make \$200 a month off of this. I would be the first one in line to forgo that and, you know, and see it be put towards another fire fighter being on that truck or any, you know, any other public safety position or something that's going to increase our public safety. You know, I can't speak for everybody on the panel (inaudible) you know, need that and that's okay. But in my situation, I'm fortunate enough to be able to say that I would be willing to forgo that \$200 a month. You know, or twenty-four hundred, you know, twenty-four hundred a year to fund something else. So if that is an option for me to forgo that ...

(Applause)

Mayor Green: Anything else? City Manager? Vice-Mayor? Anyone? Okay. Do I have a motion to leave the Study Session and adjourn back into Regular Session?

Motion by Vice-Mayor Mendoza to close the Study Session and convene into Regular Meeting. Seconded by Councilman Larribas. Motion passed unanimously.

ITEM #08 - REPORTS

Mr. Molina: Mr. Mayor, members of the Council, we have one verbal report that will be given by our Public Works Director, Mr. Angel Lopez.

Mr. Lopez: Good evening, Mayor, members of the Council. Just a reminder of Brush and Bulky will be here soon. (Inaudible) 24 will be on the east side of 6th Avenue being the border for both routes. So there will be two pickups on the east side, two pickups on the west side. Area 24 will start (inaudible) will be on April 9 and October the 8th. On the east side. On the west side, it will be area number 2. That's the west side of 6th Avenue and collections will begin March the 5th and again September the 3rd. Flyers will be given a month in advance (inaudible). So, we're working with the police department and they are getting, they are helping us give citations to vehicles that are parked in the right of ways. (Inaudible) so that will help us because it's a reminder that if they're not home,

the City of Tucson will not pick up the trash and (inaudible) very, very and that is one issue that I have (inaudible) take care of that (inaudible). Any questions?

Vice-Mayor Mendoza: (Inaudible) ...

Mayor Green: Yeah. When, oh, I'm sorry.

Vice-Mayor Mendoza: No, (inaudible).

Mayor Green: I have a question. The, when they are picking it up, is it going to be at the front curb or is it going to be in the alleyways?

Mr. Lopez: It's going to be all curbside, no alleys.

Mayor Green: Okay.

Mr. Lopez: And when they don't pick it up, again (inaudible) we will have (inaudible) be picking it up. This will be another cost for us in the long run so it's just (inaudible).

Mayor Green: And I assume there's items that can and can't be put in.

Mr. Lopez: Yes, sir. We will have all that, again, the flyers, we'll be giving them out. And I work very closely on that and we're going to try to make it, the transition as easy as possible. Again, the problem I have is that we have to know ahead of time (inaudible) before time so as long as we're doing it right, I think it will be okay.

Mayor Green: Yeah, thank you.

Vice-Mayor Mendoza: Does that include on 2nd Avenue I've driven by a couple times because I live close to that and I've seen like a burnt car. Is there, or do you ticket stuff like that as well?

Mr. Lopez: (Inaudible) ticket, Mayor, Vice-Mayor Mendoza. The City of South Tucson, that's what they're working on now.

Vice-Mayor Mendoza: Okay.

Mr. Lopez: They've been doing that for the last two months. Chief? The last two months so they want to be ahead of the game. We don't want to wait for that day comes, so.

Vice-Mayor Mendoza: And also, what about, I've seen trailers, you know, where you can load stuff onto them parked in the roadways.

Mr. Lopez: Right.

Vice-Mayor Mendoza: And they're just parked there forever, you know, week after week, month after month. And they have nothing on them. They've got flat tires ...

Mr. Lopez: That's going to ...

Vice-Mayor Mendoza: ... (inaudible).

Mr. Lopez: ... be the same thing.

Vice-Mayor Mendoza: Okay.

Mr. Lopez: That's going to be also (inaudible).

Vice-Mayor Mendoza: Okay. Good.

Mr. Lopez: (Inaudible) and go from there 'cause they have to be moved. They have to be clear. Otherwise, again, like I said, there's going to be a time when they go through here and if trash is out there, it's going to be, you know, a bad month when they go by there (inaudible) how much they have to pay (inaudible) ahead of time. But (inaudible) that way they will not pick it up at all. That's the problem I have. (Inaudible) easier. It will be, I think (inaudible).

Vice-Mayor Mendoza: Well, I think that's great. I think that that also is a big issue in making the area cleaner and having our home values go up and what ...

Mr. Lopez: Yes.

Vice-Mayor Mendoza: ... have you.

Mr. Lopez: (Inaudible). And again, the, we've got to treat it like (inaudible) we have to make people understand that that's what it's going to be. My job is to enforce that, along with other core department heads. There's no excuses. 'Cause it's (inaudible) pay afterwards. People get used to that and, again, the problem I foresee is the rentals and we're working on that. (Inaudible) ahead of time. But we have to stay on top of that.

Councilman Larribas: How far in advance will those flyers go out?

Mr. Lopez: It should be anywhere from three to six weeks.

Councilman Larribas: Will they be in English and Spanish?

Mr. Lopez: (Inaudible), sir.

Vice-Mayor Mendoza: Did you say one was going to be on March 5th?

Mayor Green: March 5th, yes.

Vice-Mayor Mendoza: So, it will be going out ...

Mayor Green: Relatively soon.

Vice-Mayor Mendoza: ... soon?

Mr. Lopez: (Inaudible). That's their job, but yes, that's ...

Vice-Mayor Mendoza: Okay.

Mr. Lopez: ... (inaudible). We're working closely with them.

Vice-Mayor Mendoza: Okay.

Mr. Lopez: And we're going to push that, so.

Vice-Mayor Mendoza: Squeezing your timeline.

Mr. Lopez: Yes.

Vice-Mayor Mendoza: Okay. Thank you.

Mayor Green: Anything else?

Mr. Molina: That's all in Reports, Mr. Mayor.

Mayor Green: Okay. Do I have a motion for adjournment?

ITEM #09 - ADJOURNMENT

Motion by Vice-Mayor Mendoza to adjourn the Regular Meeting. Seconded by Councilman Larribas.
Motion passed unanimously. The meeting adjourned at 7:08 p.m.

Mayor

ATTEST:

Veronica Moreno, City Clerk

CERTIFICATION

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Regular Meeting of the City Council of South Tucson, Arizona, held on the 12th day of February, 2018. I further certify the meeting was duly called and a quorum was present.

Dated this _____ day of _____, 2018.

Veronica Moreno, City Clerk